

**Department of Energy**

Washington, DC 20585

November 24, 2015

MEMORANDUM FOR THE SECRETARY

FROM:

JOSEPH S. HEZIR
CHIEF FINANCIAL OFFICER

SUBJECT:

ACTION: Increase of Major Items of Equipment Budget Reporting Threshold from \$2M to \$5M for MIEs located on DOE Installations

ISSUE: Request to increase the budget reporting threshold for most Major Items of Equipment from \$2M to \$5M per asset.

BACKGROUND: A Major Item of Equipment (MIE) is specialized capital equipment not related to a specific construction project. Current Department of Energy (DOE) policy requires that all MIEs with a Total Estimated Cost (TEC) of \$2M or greater must be identified in the Departmental Budget. As a result, DOE research programs must plan all MIE acquisitions exceeding \$2 million well in advance of execution of the appropriation. Upon receipt of an appropriation, any significant change to the MIE funding or scope from what was presented in the Budget requires Congressional notification. The Laboratory Operating Board (LOB) has requested an increase in the threshold to assist them in planning of MIE acquisitions. The Commission to Review the Effectiveness of the National Energy Laboratories (CRENEL) report also recommended that the MIE threshold be increased.

There is a statutory provision that applies a \$2M limit to certain MIEs. Section 111 of the Energy Reorganization Act of 1974 permitted the Energy Research and Development Administration (ERDA), a predecessor of DOE, to construct or acquire MIEs, but required either a budget presentation or Congressional notification for MIEs over \$2M and which were "required at locations other than installations of [ERDA]." This provision is still in effect, so DOE cannot raise the limit for MIEs installed at non-DOE facilities without potentially triggering this statute, but it can raise the limit for MIEs installed at DOE facilities. So we propose today to raise the limit for MIEs installed at any DOE facility to \$5M, and leave the limit for MIEs installed at non-DOE facilities at \$2M. For the purposes of this budget reporting requirement, a DOE facility is a DOE laboratory, plant, site, or other facility.

Increasing the MIE budget reporting threshold from \$2M to \$5M for MIEs at DOE facilities does not alter any other statutory or policy provisions related to incidental construction.

If approved, the increase in the limit will be incorporated into relevant policies issued by CFO. The MIE limit for equipment that is not located at a DOE facility will remain \$2 million.

RECOMMENDATION: Effectively immediately, increase the MIE limit from \$2M to \$5M for MIEs installed at DOE facilities.

APPROVED: _____

DISAPPROVED: _____

DATE: _____

12/10/15

CONCURRENCE: _____

NNSA/Raines (non-concurred)
MA/Kolb (with comments)
GC/ Payne (no comments)11/19/15
11/20/15
11/24/15